

# FAREHAM

## BOROUGH COUNCIL

### Report to Housing Scrutiny Panel

**Date**                    **04 February 2021**

**Report of:**            **Deputy Chief Executive Officer**

**Subject:**              **DRAFT FAREHAM BOROUGH COUNCIL SOCIAL HOUSING  
RENTS POLICY**

#### **SUMMARY**

At its meeting on 01 March 2021, the Executive will consider a report detailing the draft Fareham Borough Council Social Housing Rents Policy.

In February 2019 the Government issued a *Direction to the Rent Standard* and a *Policy Statement on Rents for Social Housing*. These have enabled Local Authorities to be able to increase rents from 1 April 2020 by CPI +1%.

In order to bring legislation together, continue the delivery of affordable housing and provide transparency on how the Council sets rent for its properties, the Housing Department has produced a draft Social Housing Rents Policy.

#### **RECOMMENDATION**

It is recommended that the Panel consider and comment on the draft Fareham Borough Council Social Housing Rents Policy in advance of it being presented to the March meeting of the Executive for approval.

## **INTRODUCTION**

1. At its meeting on 03 February 2020, the Executive considered a report on the Housing Revenue and Account Budget. The report outlined the changes to the Government's *Direction on the Rent Standard* which permits an annual rent increase on social and affordable housing. Previously the Council had to apply an annual reduction of 1% since April 2016.
2. The Government's *Direction to the Rent Standard 2019* and subsequent *Policy Statement on Rents for Social Housing* permits an annual rent increase on both general needs and sheltered housing properties. This is for both social and affordable rent and the increase is up to CPI + 1% from April 2020 for a period of at least five years. This rent charge increase will also continue to apply to shared-ownership properties.
3. At the meeting of the 1 February 2021 the Executive considered a report from the Deputy Chief Executive and Section 151 Officer outlining the Housing Revenue Account 2021/22. The report sought approval to apply an increase in rents for Council dwellings by CPI +1%. This increase reflects what is contained within the Fareham Borough Council Social Housing Rents Policy.

## **THE FAREHAM BOROUGH COUNCIL SOCIAL HOUSING RENTS POLICY**

4. The Fareham Borough Council Social Housing Rents Policy (hereafter referred to as 'the Policy') seeks to clarify how social and affordable housing rent is set. The language, charges and legislation around affordable housing can often be confusing. The Policy explains what each rent type is and how the charge is calculated, simplifying the legislation governing it.
5. The amount of rent charged differs depending on whether the property is social, affordable or shared ownership. Service charges may also apply at some properties; the Policy details where and why these will be applied. The Policy also acts as a guide to determine how rent will be calculated for new builds, detailed further on in this report.
6. The Government's Policy Statement on Rents for Social Housing does not allow for an increase in existing rents by more than CPI plus 1 percentage point in any given year. The Policy reiterates this position, which applies to both social and affordable properties, ensuring that rents cannot increase above inflation.
7. The Council seeks to ensure that no-one is negatively affected by the Policy. Affordability is carefully considered prior to allocation from the Housing Register into an affordable/social rent property. Tenants are also advised well in advance of any increase.

## **NEW HOUSING**

8. The Affordable Housing Strategy commits to both building more affordable homes and purchasing private market housing. When properties are purchased, typically, the Council will use Right to Buy Receipts. The Policy states that where this is the case, these properties will have rent set at an affordable level. This is under agreement with the Ministry of Homes, Communities and Local Government and will help to offset any losses from Right to Buy.

9. Affordable rent was introduced in 2011 to allow delivery of quality homes at sub-market rent. In accordance with this principle, tenants of new build Council housing may be charged an affordable rent (80% of the property's market rental value, but where possible, set to the LHA cap). However, the Council may continue to charge social rent in areas of where need is highest, and it is feasible to do so.
10. The Affordable Housing Strategy commits to delivering more sheltered housing for older people. As with general needs accommodation, the Policy states that an affordable rent below 80% of the rental value may be charged at the new builds. The sheltered schemes currently charging social rent will remain as social rent unless they are subject to redevelopment.
11. Providing good quality, affordable homes for those in need is a key priority. A social rent level would be the idyllic situation for all of the Council's housing. However, in order to progress more development and maintain/improve existing stock an affordable rent will often need to be charged. The recently completed Oak Tree Close development was only feasible through charging affordable rent. Even with grant funding, delivery would not have been possible if a social rent was applied on this site.

### **SHARED OWNERSHIP**

12. Shared ownership allows the tenant to own a proportion of the property and rent the remaining share. Residents also have the option to 'staircase up' and buy the remaining shares in the property.
13. In order to align with other social housing providers, any new shared ownership properties or those who are staircasing will have the rent calculated based on the unsold equity. Prior to the Policy, rent for shared ownership was based on equivalent properties within the Council's portfolio. The charge was worked out by removing a percentage based on typical repairs costs from what the monthly rent would be as a social housing property.
14. Any existing shared ownership tenants will not see a change to their rent. The only exceptions are the annual rent increase (CPI +1%) or where additional shares are purchased. When this occurs, the tenant will be advised of the new rent amount prior to any sale.

### **GARAGES**

15. The Council provides the opportunity for all residents to rent a garage. This includes Council tenants, named leaseholders, and private residents. Rents for Council garages are not covered by the Government's Rents Standard and in recent years have had weekly rent increase by 50p per annum.
16. The Policy now states that annual increase in rent will be CPI plus 1 percentage point, to align increases with dwelling rents. Garage rents for 2020/21 will increase by 20p per week.

### **RISK ASSESSMENT**

17. There are no significant risk considerations in relation to this report

## **CONCLUSION**

18. The Policy is designed to provide transparency and act as a guide for how rents are set in new and existing Council homes. It is an important document that assists in ensuring solvency of the HRA; key in continuing delivery, improvement and maintenance of affordable properties for those in need.
19. Members are invited to provide their view on the draft Fareham Borough Council Social Housing Rents Policy prior to the document being presented to the Executive in March.

**Appendices:** Appendix A - Fareham Borough Council Social Housing Rents Policy

**Background Papers:** None.

**Reference Papers:** Affordable Housing Strategy (2019)  
01 February Executive Report – Housing Revenue Account  
2021/22 Briefing Paper

**Enquiries:** For further information on this report please contact Fleur Allaway (Ext 4304)